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**SMC Government Relations Committee Conference Call**  
**Agenda**  
*Brief notes embedded in blue*  
**Tuesday, November 11, 2017**  
**10:00 – 11:00 AM**

**Welcome and Introductions**

- **Eric Riske, Chair, Government Relations Committee, SMC Board of Directors, General Window Cleaning, Inc.** *Attending: Vince Finizio, Tom Donoghue, John Nikoloff, Joe Weinkle, Jim Droney, Eric Riske, Bob Henry, David Ross, Dave Carlson, Vic Conrad, Judy Wojanis, Eileen Anderson.*

**Today's Meeting**

- **Eileen Anderson, Director, Government Relations** - This is a group effort today. Several chairs and advisors are unable to attend.

**State Update**

- **Budget & Taxes - John Nikoloff, Partner, ERG Partners**
  - *During the 117 day budget impasse Governor Wolf, Senate D's and R's and House D's agreed on some revenue sources which were staunchly opposed by House R's; the Senate R's and House R's agreed on revenue sources that were opposed by Governor Wolf.*
  - *Some of the revenue sources discussed during negotiations included the following: a natural gas severance tax; a new Gross Receipts Tax on natural gas; sales tax on commercial storage facilities and logistics services; video gaming terminals; a hotel tax; selling the liquor system; borrowing against the liquor control board; and increases in taxes on electric and phone bills.*
  - *Thirty House R's came up with their own budget which relied on moving the balances sitting in 32 special funds to the General Fund.*
  - *An attempt was made to pass a severance tax of 3.2% over and above the impact fee. In the future the House may succeed in getting the 102 votes required for passage. There will be an increased push by Governor Wolf to pass a severance tax. One hour after he signed the revenue plan he pushed for lawmakers to come back into session and work on the severance tax.*
  - *Online sales vendors such as Amazon and EBay will now be required to collect sales tax.*
  - *There is a new tax and expansion of availability of fireworks as a result of changes to the Fiscal Code. Previously PA consumers could not buy certain fireworks (rockets, Roman candles, shells, firecrackers, etc.) in PA but people in surrounding states could come into PA and buy them.*
  - *The Governor and lawmakers moved \$200 million from the Joint Underwriters Association (JUA) to the General Fund. The JUA is funded by physicians who cannot buy medical malpractice insurance elsewhere. A similar action last year was invalidated. A lawsuit has already been filed to prevent this transfer.*
  - *PA is borrowing against the future. There is \$5 M in one time transfers. The budget will be out of balance very soon.*

- *The General Assembly, prodded by Governor Wolf, will spend the remainder of 2018 working on a package of 4-5 opioid bills, while considering several others which will play into the 2018 Governor's race policy-wise.*
- **Anderson** - *Will Act 48, Performance-Based Budgeting, help with PA's budget problems?*
- **Nikoloff** - *No, not as long as they continue to pass revenue bills that don't reflect reality. For example, gambling expansion is projected to bring in \$200 M from license sales and \$100 M from taxes. That may not happen. The 2018 budget is probably already \$300 M to \$400 M short. Lawmakers thought that the creation of the Independent Fiscal Office would solve budget problems. In reality what it does is put an objective face on the problems but lawmakers have to solve them.*
- **Health Care/Workforce/Regulations/Labor - Anderson**
  - **HB 1613 - PA Health Care Cost Containment Council Modernization** *passed out of the House and is in the Senate Health committee.*
  - **Surprise Balance Billing legislation** *is idling in both House and Senate committees but got a hearing in the Senate. It is intended to provide protection for insured patients against surprise balance bills for emergency health care services or for other covered health care services from in-network facilities.*
  - **HB 18/SB 936 - Prescription Drug Formulary** *requires the PA Department of Labor and Industry to adopt an evidence-based drug formulary for the PA Worker's Comp (WC) program. The use of the formulary will begin to reduce the over-prescription of opioid painkillers by setting evidence-based standards for medication that can be prescribed for a WC patient. SB 936 which superseded HB 18 passed the PA Senate 34 - 16 along party lines and is now in the House Labor & Industry Committee. SMC lobbies with a coalition for passage of HB 18/SB 936.*
  - **HB 1840 - Protz Case** - *The Supreme Court does not object to the Impaired Rating Evaluations (IRE) process but disagreed with the method used to update the version of the American Medical Association (AMA) guidelines which determines the level of impairment. The Supreme Court ruled it was an unconstitutional delegation of authority. New legislation will update the IRE process with the 6th edition of the AMA guidelines. SMC lobbies with a coalition for passage.*
  - **Senate Bill 561 - Economically Significant Regulations** *legislation was passed by the Senate. It will revise the regulatory review process so that the House and the Senate must act to adopt economically significant regulations (those that would cost \$1 million or more).*
  - **PA Department of Revenue (PADOR) Appeals Process** - *SMC was in discussion with the PADOR to simplify the appeals process for small businesses. PADOR acknowledged that the relationship with businesses is adversarial. Their goal was to make the second level of claims easier by implementation of a \$12,000 threshold for small businesses. Then the Board of Finance and Revenue could resolve claims below that amount. That would streamline the claims process and eliminate excess communications. Unfortunately, the only part of the language that survived in the Fiscal Code was the reduction of the time to file a claim from 90 days to 60 days.*
- **Energy - Bob Henry, President & CEO, Command Systems, Inc., Chair, Working Group on Energy and Environment**
  - *SMC's focus is development of an energy plan.*
  - *SMC is working to place Henry on PA's Climate Change Action Committee.*
  - *The U.S. dropped out of the Paris Accord for global climate change and it is unknown what will replace it.*

- *The US Department of Energy (DOE) is examining policies from the previous administration. DOE is pushing for a 90 day fuel supply to help with grid resiliency and it would be supported by the use of nuclear energy and coal. All other forms of fuel and some agencies oppose the idea.*

### **Federal Update**

- **Tax Reform - Anderson - Key points of the House's plan include:**
  - *Seven brackets will be compressed to four.*
  - *The corporate rate will be reduced from 35% to 20%.*
  - *The pass-through rate will be 25%. For example, if a pass-through has a \$100,000 profit, \$70,000 will be taxed as salary at 39.6% and 30% will be taxed at the 25% rate. However, less than 10 M small businesses may benefit because it will only apply to couples making more than \$260,000, the 25% bracket.*
  - *The alternative minimum tax will be eliminated.*
  - *The estate tax will phase out over 6 years.*
  - *There will be full deductibility of business expenses for the next 5 years.*
  - *Section 179 expensing will be expanded and changed from immediate expensing of \$500,000 with a cap of \$2 M to immediate expensing of \$5 M with a cap of \$20 M.*
  - *Personal service corporations income i.e. accountants, attorneys, consultants, architects, physicians, and engineers will be subject to the 39.6% rate.*
  - *The deduction for net interest expense is preserved for small businesses with gross receipts of less than \$25 M.*
  - **According to Marilyn Landis, President & CEO, Basic Business Concepts, Inc.** *The key element is how they ultimately define the personal rate and pass-through rate. Small businesses must be vigilant. The pay-fors are critical because to accommodate changes they may look to small business provisions for sources of revenue.*
- **Health Care - Anderson**
  - **Senators Lamar Alexander & Patti Murray's Bipartisan Legislation - core provisions:**
    - *Cost sharing reduction (CSR) payments will be paid from 2017 through 2019.*
    - *1132 waivers will be simplified giving states more funding flexibility to establish programs that fit their states.*
    - *All exchange participants will be eligible for catastrophic plans regardless of age.*
    - *Insurance will be sold across state lines.*
  - **Trump's Executive Order - core provisions:**
    - *Association Health Plans will be used by small businesses and the sale of insurance across state lines permitted.*
    - *Short-term policies will be expanded from 3 months to 12 months.*
    - *Health Reimbursement Accounts will be changed so that employees can purchase plans with the funds deposited by employers in those accounts.*
    - *Trump cut off payments of CSR benefits effective immediately.*
  - **Joe Weinkle - Impact of Trump's elimination of CSR on rate increases and premiums.**
    - *In the Pittsburgh region the PA Insurance Department (PID) added another 24% to UPMC and Highmark's rate requests for premium increases. They were originally scheduled to have rate increases of 14.4% for individual plans in the under-65 market.*

- *Some policies now have 38% rate increases. From a buyers standpoint in many cases the subsidy increases will cover premium increases from the loss of CSR.*
- *Carriers are designing lower cost plans for purchase outside of the exchange.*
- **Nikoloff - Insurance policies across the states are affected by the loss of CSR.**
  - *The average rate increase request was 8.8% but rate increases were 31% on silver plans.*
  - *The PID announced rate increases within 2 days of the elimination of CSR by Trump, blaming the actions of the president for the increases.*
  - *Even if Congress passes the Alexander-Murray legislation to reinstate CSR payments, the PID has indicated that revival of CSR will not replace premium increases.*
  - *Because the PID moved so fast to increase rates it appeared they had been planning it for some time. Governor Wolf immediately came out with a campaign fundraising request based on the actions. The issue should be watched for its impact on small business.*

### **New Business**

- **Vince A. Finizio, Architect - Identification of a new issue -** *He briefly highlighted problems experienced by architects and builders who are subject to new and overly heavy building regulations.*
  - *Codes are becoming more complex and every time they are revised they become more stringent and result in escalating project costs.*
  - *He cited cases where the city has come back to a client and asked them to redo completed projects even though they were previously approved because sometimes “paperwork is lost” or there is a new interpretation of a code.*
  - *One solution may be to make sure that an independent cost-benefit analysis is completed every time a building code is revised.*
  - *Tom Donoghue, Vince and Judy Wojanis will discuss the building issues off-line and report back to the entire committee. The goal is to determine if this is an area where SMC can have an effective voice.*

### **Looking Forward: Action Steps & 2018 Legislative Agenda**

- **Small Business Issues Forum, 9/28/17: “What Keeps You up at Night?”**
  - *Workforce surfaced as the main issue and the draft document was sent to the Governor’s Deputy Secretary of Policy & Planning. It will be sent to several lawmakers, and gubernatorial candidates*
  - **Nikoloff** – *SMC should be in contact with those candidates running for the seats of PA Rep. Marc Gergely and US Congressman Murphy ASAP to ensure our issues are considered before election.*
- **Working Groups**
  - *Meetings will be scheduled for Tax/Energy/Health Care, Regulations, Labor & Workforce/ and Building Codes in December.*
- **Trade - Dave Frengel has retired. He was the source of SMC’s past trade policies.**
- **Goals 2018 - Government Relations Plan - “Lobbying is not a one day a year event.”**
  - *Expand SMC advocacy footprint through partnerships and coalitions.*
  - *Activate members to lobby on issues. Start locally with a core group of committee members.*
  - *Utilize action alerts software in partnership with PA Manufacturers’ Association.*